GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:703
ANSWERED ON:04.03.2005
KELKAR COMMITTEE RECOMMENDATION ON IMPORT DUTY STRUCTURE
Bansal Shri Pawan Kumar

Will the Minister of FINANCE be pleased to state:

(a) whether the Kelkar Committee had recommended a duty structure on import of raw materials, intermediate products and finished goods;

(b) if so, the details thereof;

(c) whether the purpose of the differential in custom duty between the raw material and the manufactured/processed goods was to encourage and promote the Indian industry;

(d) whether the recommended differential has been effected in the duty structure on all materials; and

(e) if not, the reasons therefore ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a) and (b) In the `Report of the Task Force on Indirect Taxes` submitted on December, 2002, the task force headed by Dr. Vijay Kelkar, has recommended, that by 2004-05, the rate of customs duty (a) on raw materials, inputs and intermediate goods be brought down to 10% and

(b) on consumer durables to 20%. For 2006-07, the recommended rate of customs duty, are

(a) 5% on basic raw materials

(b) 8% on intermediate goods (c) 10% on finished goods other than consumer durables and (d) 20% on consumer durable. In the `Report of the Task Force on implementation of the Fiscal Responsibility and Budget Management Act, 2003` submitted on July, 2004 the task force headed by Dr. Vijay Kelkar, has recommended a similar four-tier structure consisting of 5%, 8% ,10% and 20%.

(c) The purposes of these recommendations, as stated in the reports, are to minimize the number of duty rates, to make our economy competitive and to have lower duty on goods which are used for further manufacture, as distinct from finished consumption goods.

(d) & (e) The customs duty rates announced in Budget 2005 are in line with the policy of bringing the customs duty rates to the levels prevailing in ASEAN countries and to avoid inversion in duty rates to the extent possible. While the peak rate for non-agricultural products have been brought down to 15% (with a few exceptions), the duty on industrial raw materials and intermediates such as, crude petroleum, primary and semi-finished forms of metals (other than seconds and defectives), refractories and their raw materials, catalysts, plastic intermediates etc. have been prescribed at rates lower than the said peak rate.